

Pag-IBIG FUND
Corporate Headquarters
Petron MegaPlaza
358 Sen. Gil Puyat Avenue,
Makati City

Circular No. 316

TO : ALL CONCERNED

SUBJECT : **AMENDED GUIDELINES ON THE CANCELLATION OF
DEFAULTING CONTRACT-TO-SELL (CTS) ACCOUNTS**

Pursuant to the approval of the Senior Management Committee, the following **Amended Guidelines on the Cancellation of Defaulting Contract-to-Sell (CTS) Accounts** are hereby issued:

A. OBJECTIVE

These guidelines seek to expedite the recovery of Pag-IBIG Fund's investments in non-performing housing loans by facilitating the cancellation of delinquent Contract-to-Sell (CTS) accounts.

B. COVERAGE

These guidelines shall cover Contract-to-Sell (CTS) Accounts and those that have been issued with a Notice of Cancellation as of date of issuance of these guidelines.

C. MECHANICS

1. Borrower's Grace Period

If the borrower has failed to pay an installment when due, the Fund shall notify him of his grace period within which to update his account:

- 1.1. In cases where less than two years of installments were paid, the borrower shall have a grace period of sixty (60) days from the date the installment became due.
- 1.2. Where the borrower has paid at least two years of installments, he shall earn one month grace period for every year of installment payments made. The grace period shall be reckoned from the date the installment became due.

This right shall be exercised by the borrower only once in every five years of the life of the contract and its extensions, if any.

2. Cash Surrender Value

- 2.1. Pursuant to RA 6552, where the borrower has paid an equivalent to at least two years of installments, he shall be entitled to a Cash Surrender Value (CSV), which shall consist of payments for

principal and interest only and shall be equivalent to a percentage of actual payments made to the Fund. It shall be computed in the following manner:

No. of Years of Actual Payments Made	Percentage of Actual Payments Made (P +I)
2 - 5 years	50%
6 years	55%
7 years	60%
8 years	65%
9 years	70%
10 years	75%
11 years	80%
12 years	85%
13 years and every year thereafter	90%

2.2. The CSV that will be given to the defaulting borrower, if any, shall be net of the following items chargeable to him:

2.2.1. Rent - It shall be charged only if the housing unit is occupied. It shall be based on the prevailing rental rate in the area for a similar unit, and shall be computed from date of default until the date of last appraisal.

If the property subject of the CTS is still occupied after the Notice of Cancellation is received by the defaulting borrower, additional rent shall be charged until the property is vacated and turned over to the Fund.

2.2.2. MRI/SRI and Fire Insurance premiums advanced by the Fund;

2.2.3. Unpaid real estate property taxes

3. If the borrower refuses to receive the CSV or did not claim it at the branch concerned, and continues to occupy the premises, the Fund shall file an action for Judicial Confirmation of Notarial Cancellation of the CTS with Recovery of Possession and Damages.

4. Cancellation of CTS

4.1. Except for Window 1 and Window 1 (Elite), the Notice of Cancellation (NOC) shall be served to the borrower under the following circumstances:

4.1.1. When the grace period given to the borrower (as indicated in the Demand to Update Account) lapsed without his payment;

4.1.2. When the borrower failed to pay the installment for the second time within the past five years; provided, he/she was served a Demand to Update at first default.

In this case, the NOC shall be served after the second default without need of service of Demand to Update because the borrower is considered to have utilized the grace period allowed to him by law during the first instance of default.

- 4.2. In case the defaulting Window 1 or Window 1 (Elite) account was taken out prior to the issuance of Cir. No. 287 and covered by the developer's buyback guarantee when the developer failed to buyback said account within the prescribed buyback period, the Fund may immediately cancel the CTS of the account covering a unit that is re-saleable, regardless if it is occupied or unoccupied.
- 4.3. The cancellation of CTS shall be effective if the following conditions are met:
 - 4.3.1. For accounts with less than two years installment payments, it shall be effective thirty (30) days after the borrower receives the Notice of Cancellation;
 - 4.3.2. For accounts with at least two years of installment payments, it shall be effective thirty (30) days after the borrower receives the Notice of Cancellation and payment of the Cash Surrender Value (CSV), if any.

If no CSV is paid after applying the same to the rent, insurance premiums and real estate taxes, the thirty (30) day period shall commence from receipt of the NOC by the borrower.

- 4.4. Upon cancellation, the Billing and Collection Department / Loans and Contribution Management and Recovery Division (LCMRD) shall forward the accounts to the Acquired Assets Management Group/LCMRD.

D. OTHER PROVISIONS

1. Advances for the conversion expenses paid by a borrower under the "Magaang Pabahay" Program shall be used in the consolidation of the property in favor of the Fund.
2. After the effective cancellation of the CTS cited in Section 3 of Item C hereof, the Billing and Collection Department/LCMRD shall endorse the List of Cancelled CTS Accounts to the Members Loan Accounting Department/Loans Accounting Division to reclassify said accounts from "Sales Contract Receivables" to "Acquired Assets".
3. The Total Accumulated Value (TAV) of a borrower whose CTS account has been cancelled shall not be applied to his/her housing loan arrearages.

E. ESCALATION CLAUSE

Any issue that may arise in the interpretation and implementation of these guidelines shall be resolved by the Department Manager III or escalated to the next higher level of authority.

F. REPEALING CLAUSE

HDMF Circular No. 272 as well as all policies, memoranda, rules, regulations, and other issuances inconsistent herewith are hereby repealed, amended or modified accordingly.

G. AMENDMENTS

The Senior Management Committee may amend, modify or revise certain provisions of these guidelines, provided that the amendments, modifications, revisions thereof are in furtherance of the objectives of this program and are consistent with the mandate of Pag-IBIG Fund under its charter and existing laws.

H. EFFECTIVITY

These guidelines take effect immediately.



ATTY. DARLENE MARIE B. BERBERABE

Chief Executive Officer

Makati City
AUGUST 3, 2012